



County of Los Angeles
CHIEF ADMINISTRATIVE OFFICE

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Chief Administrative Officer

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Second District

ZEV YAROSLAVSKY
Third District

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Fourth District

MICHAEL D. ANTONOVICH
Fifth District

May 15, 2007

To: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: David E. Janssen
Chief Administrative Officer

SACRAMENTO UPDATE

Legislative Analyst Releases "Overview of the 2007-08 May Revision"

Today, the Legislative Analyst's Office (LAO) released its overview of the Governor's May Revision. The LAO indicates that the economic and revenue forecasts included in the May Revision are reasonable in light of modest economic growth in California and the nation, however, the LAO believes that the Governor's proposed \$2.2 billion year-end reserve is overstated by approximately \$1.7 billion. The LAO estimates that the year-end reserve will be about \$529 million, and warns that even a reserve of this level would still be subject to considerable risks and pressures. The LAO estimates that under the Administration's latest proposals which contain a number of one-time revenues, State expenditures would exceed revenues by more than \$3.0 billion in FY 2008-09 and \$5.0 billion in FY 2009-10.

The LAO identifies the May Revision's proposals listed below as overly optimistic and based on risky assumptions which overstate the FY 2007-08 year end reserve.

Governor's May Revision Reserve	\$2.199 billion
LAO Major Adjustments:	
Home-to-School transportation shift proposal	\$ -830 million
Potential correctional officer contract	-330 million
High property tax growth rate	-190 million
Tribal gaming revenue	-184 million
Midyear reductions to achieve savings	-136 million
LAO Proposed Adjusted Reserve	\$ 529 million

Despite the improved revenue picture since the release of the Governor's January Budget, the LAO points out that the Legislature will be faced with a significant challenge to develop a FY 2007-08 Budget proposal with reasonable revenue and spending assumptions while maintaining a prudent reserve.

The LAO's report is available at <http://www.lao.ca.gov>.

Status of County-Advocacy Legislation

County-supported and amended AB 1481 (De La Torre and Krekorian), which would require the State Water Resources Control Board (WRCB), on or before July 31, 2009, to establish general discharge permits for landscape irrigation projects utilizing recycled water for which the State Department of Public Health has set recycling criteria, and authorize the WRCB to establish a reasonable schedule of fees to reimburse the WRCB for the costs it incurs in adopting and administering the general permit, was placed on the Assembly Appropriations Suspense file on May 10, 2007. The County is requesting that the bill be amended to clarify that the general discharge permit would apply to any irrigation uses for which the State Department of Public Health has or will set recycling criteria.

Status of County-Interest Legislation

SB 670 (Correa), which would place restrictions on the use of private reconveyance fees, or transfer fees upon the sale of residential real estate, and provide accountability over the collection and use of these fees, failed to receive a motion in the Senate Transportation and Housing Committee on May 8, 2007, and is effectively dead at the moment. We will continue to monitor this issue to determine if the bill is granted reconsideration, or if the concept is included in another legislative vehicle.

We will continue to keep you advised.

DEJ:GK
MAL:MR:EW:acn

c: All Department Heads
Legislative Strategist
Local 660
Coalition of County Unions
California Contract Cities Association
Independent Cities Association
League of California Cities
City Managers Associations
Buddy Program Participants